



Newsletter
March 2013

Dear All,

Below is our March report on the developments at the HFSB.

New Stakeholders

We are delighted to welcome three new additions to the HFSB family:

Signatories

- Hexavest Inc. (Canada)
- Luxor Capital Group LP (USA)
- Montusco Bolton Investments Inc. (Canada)

Discussion with MPs from Bundestag in London

The HFSB held discussions with a delegation of MPs representing the Financial Committee of the German Parliament during their visit to London in March. They exchanged views on hedge fund regulation, shadow banking and the Eurozone crisis. The increasing role of capital markets in light of the shrinking banking sector was also highlighted.

Public Speaking

• **FT Investor Breakfast Briefing, 8 May 2013**

Thomas Deinet will deliver one of the key note presentations at an investor breakfast briefing hosted by the Financial Times in London on 8 May 2013. The event is organised by Towers Watson, an HFSB Core Supporter and will also include a panel where Arrowgrass and Winton Capital, also HFSB Core Supporters will participate. The event is targeted at institutional investors. To attend the event, please [click the link](#) or contact us.

• **GAIM Ops Cayman, 21-24 April 2013**

Thomas Deinet will participate in a panel on investor transparency. During the same event he will also be hosting a Speaker Table on the role of the alternative investment industry in light of the shrinking banking sector.

Regulatory Engagement

The HFSB [responded](#) to the [Consultation Paper](#) published by the Cayman Islands Monetary Authority (CIMA) on Corporate Governance. The HFSB recommends that CIMA makes use of the Hedge Fund Standards (Governance section) to complement its high level framework and increase the relevance of its approach in the area of hedge fund governance.

Standards Corner

Mitigating and Managing Outsourcing Risk

The hedge fund industry is traditionally based on an unbundled business model, with managers focusing on their core competence - investing – while third parties provide other services such as administration, valuation, custody and prime brokerage. All of these services are necessary for the efficient operation of hedge funds. It is therefore of great importance to investors to ensure that the selection and monitoring of third party service providers are properly managed.

The fund governing body is responsible for appointing third party service providers, which are recommended by their hedge fund managers. Specifically, the Standards recommend that hedge fund managers should conduct proper due diligence on third party service providers. As part of this due diligence, managers should consider the credit rating of their prospective service providers, and their general ability to fulfil all process functions accurately and efficiently. Once selected, managers should put in place a service level agreement describing the services to be provided and assigning responsibilities for all functions, etc. Following appointment, managers should be prepared to disclose the names of their principle service providers, and to the extent they are able and permitted to do so, provide information on financing arrangements with them as well as the nature of any special commercial terms with them which result in potential conflicts of interests.

Please read [Standards 19-20](#) to learn more about outsourcing risk.

ANNOUNCEMENT:

Amendments to Signatory Application Form and Conformity Statement

As a part of our regular review of the HFSB's documentation, we have revisited the application form and the conformity statement to ensure they remain up-to-date and incorporate feedback received from the signatories.

Specifically, we have introduced more flexibility in the requirement to communicate the manager's signatory status to investors via prospectuses and offering documents. Signatories are no longer required to communicate their signatory status via prospectuses and offering documents. Now they may choose to do so via their website, marketing materials, newsletters, prospectuses or offering documents, etc. Also, the HFSB now encourages (rather than requires) signatories to display the HFSB Kite Mark on their website, marketing materials, etc. In addition, the wording in the section "Ceasing to be a Signatory" has been simplified.

The new application form and conformity statement are now available on our [signatory webpage](#). A track changes version is also available on the same webpage for both documents (Application / Conformity in track changes).

Please use the new version of the [Conformity Statement](#) for your next renewal.

APPENDIX

Hexavest Inc.	<p>Founded in 2004 by six partners, Hexavest is an investment management firm located in Montreal, Canada. The firm provides discretionary investment management of equities and tactical asset allocation for institutional clients. As at December 31, 2012, Hexavest had 40 employees and managed \$CA 13.7 billion of assets for more than 160 clients located in Canada, the United States, Asia, and Europe. The creation of Hexavest came about when its six founding partners decided to unite their efforts to build a dynamic and stimulating environment that would enable them to focus on generating value added for their clients. Our investment team was formed in 1991 and was expanded over the years by the addition of several talented investment professionals who all share the same investment culture and values. Hexavest possesses an edge in analyzing macroeconomic factors and in identifying excesses at the stock selection level. Therefore, the firm's approach is predominantly top-down and combines fundamental research and proprietary quantitative models. A great emphasis is placed on preserving client capital which is reflected by a value bias in the different portfolios.</p>
Luxor Capital Group LP	<p>Luxor Capital Group, LP is an investment management firm, founded in 2002 by Christian Leone, that utilizes a fundamentally driven research effort and opportunistic approach that allows it to use multiple strategies to invest across the capital structures of U.S. and non-U.S. companies. Luxor is an SEC-registered investment advisor based in New York City. The Investment team mines for long and short opportunities in a number of industries, but is consistently focused in Industrials, Financials, Real Estate, Media, Consumer and Retail. The funds principally invest in North America and Europe, and there is typically a significant concentration in U.S. markets. Portfolio construction is based upon the conviction in the fundamental research on a company, the characteristics of the specific security and the likelihood of the related event.</p>
Montrusco Bolton Investments Inc.	<p>Montrusco Bolton Investments Inc. ("MBII") is a privately held investment management firm with more than sixty-five years of experience. Key professionals hold a significant interest along with Affiliated Managers Group ("AMG"), a Boston-based NYSE listed company, and the Fonds de solidarité FTQ ("FSTQ"), a Quebec-based labor sponsored venture fund. Management, portfolio managers, research analysts, trading and back offices are located at the head office in Montreal, as well as in the Toronto office.</p> <p>Montrusco's strategy is an equity market neutral fund with expositions on the Canadian and US equity markets. The strategy was designed to meet institutional high requirements in terms of leverage, transparency, liquidity, fees, etc. The approach is largely quantitative, based on proprietary momentum models. Risk management is an integral part of the investment process.</p>